

Communications Day, 2 August 2017

Letter to the Editor

It is good to see Bill Morrow taking ownership of the CVC issue (Comms. Day 1 August). Pricing certainly needs to be revised – more drastically than he currently seems prepared to accept and more openly than in the past.

It is true that Telstra's prices are at least 20% lower than a year ago. What is interesting is that TPG and iinet prices have not shifted! Together with Optus (which followed Telstra) these RSPs account for most of the market. Even more interesting, is that these RSPs with the exception of Telstra are advertising low speed plans (up to 12Mbps), unlike a year ago.

It costs nbn™ no more to provide 100Mbps than 25Mbps on its fixed networks. To be truly transformative, it should have a simple pricing structure offering unlimited speed as standard and an entry level wholesale plan that also offers unlimited speed, differentiating between these with a higher usage charge on the latter. Average speeds over the network would improve overnight and the advertising issue disappears.

I agree with a two-part tariff but instead of a proxy for usage, use the real thing and charge cents/GB. This eliminates the temptation to degrade the user experience by making the nbn™ responsible for its own access network. It is the natural aggregator and is incented to improve capacity with high speeds and a simple usage charge – just like electricity, gas and water! With the growth in data, usage fees can fall quickly at the same time as they fund extra capacity.

The elephant in the room is the future growth in wholesale ARPU. That is, the growth in usage revenues will be used to claw-back revenues foregone in previous years due to pricing below cost. This overhang (the ICRA) now stands over \$10 billion.

End users expect to get more for the same or less, as they do with mobile broadband speeds and data. Even if the nbn™ pricing structure is fixed, future pricing levels need to be considered too.

On three previous occasions, nbn™ has not shared its pricing consultation papers beyond its customers and a few friends subject to non-disclosure. Hopefully, the CEO's position paper on pricing indicates that this will change.

John de Ridder